

OL 703: Transformational Leadership

Kory Cooper

Omega Graduate School

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Professor

Dr. Sara Reichard

## **Overview of Tesla**

Tesla, Inc., an American electric vehicle and clean energy company, has been at the very front of transforming the automotive industry. With a mission to "accelerate the world's transition to sustainable energy," Tesla emphasizes innovation, efficiency, and sustainability. Under Elon Musk's leadership, Tesla has made significant strides in electric vehicles, renewable energy products, autonomous driving technology, and space exploration. The leadership culture at Tesla has played a significant role in shaping its bold vision and execution.

## **Leadership Styles at Tesla**

### **Transactional Leadership**

Transactional leadership focuses on supervision, organization, and achieving specific outcomes through a system of rewards and punishments (Nohria & Khurana, 2010). At Tesla, elements of transactional leadership are evident in the production facilities, where clear expectations are set for productivity and performance standards.

For example, factory workers and production teams are held accountable for meeting specific manufacturing targets, and incentives are provided for surpassing these goals. This ensures that Tesla's production lines remain efficient and maintain high-quality standards. However, the transactional style at Tesla has also been associated with high employee turnover

and complaints about strict working conditions, indicating that while effective for output, it can lead to employee dissatisfaction over time.

### **Transformational Leadership**

Elon Musk demonstrates transformational leadership at Tesla, inspiring employees and stakeholders with a compelling vision for the future of energy and transportation (Kouzes & Posner, 2023). His ambition to make electric vehicles mainstream and his dedication to renewable energy solutions serve as a source of motivation for employees and business owners abroad.

Musk's willingness to take risks and his commitment to the company's mission inspire employees to go beyond their limits. For example, Tesla engineers are constantly encouraged to push boundaries with new vehicle models and innovative technology. The high level of commitment to the company's vision has played a huge role in the innovative culture where employees are empowered to contribute new ideas (Steward, 2020).

### **Incarnational Leadership**

Incarnational leadership involves leaders immersing themselves in the daily realities of their employees, modeling the behaviors they wish to see (Sucher, 2020). While Elon Musk is often involved in strategic-level decision-making, there are also instances where he engages directly with employees. Musk has been known to work very long hours alongside production teams and visit Tesla's manufacturing plants to witness operations firsthand. Which unfortunately is not practiced in most companies today.

By being present and visible in such situations, Musk demonstrates his commitment and sets an example of dedication. This approach helps employees feel that their leader is personally invested in their challenges and understands the complexities they face. However, Musk's incarnational leadership style can sometimes be perceived as demanding, given the expectation that employees must match his level of dedication and long work hours.

### **Moral Leadership**

Tesla's mission to reduce carbon emissions and promote sustainability is an example of moral leadership. Musk's commitment to environmental sustainability drives the company's ethical focus, which is clearly communicated through its mission and products (Gushee & Holtz, 2018). This leadership style appeals to both employees and consumers who value environmentally responsible practices.

For example, Tesla's decision to open its electric vehicle patents to the public was based on the ethical consideration of accelerating global adoption of sustainable energy solutions, even if it meant sharing technological advantages (Gushee & Holtz, 2018). This moral leadership approach has positively impacted Tesla's brand reputation, positioning the company as a leader in environmental responsibility.

However, moral leadership at Tesla has occasionally come under heavy scrutiny due to concerns about worker safety and labor practices in its factories. This indicates that while moral leadership is evident at a strategic level, there is room for improvement in ensuring that ethical considerations extend to employee welfare (Sucher, 2020).

## **Managerial Leadership**

Managerial leadership at Tesla focuses on optimizing resources and ensuring operational efficiency (Nohria & Khurana, 2010). Tesla's ambitious production targets and tight deadlines require a high level of managerial oversight to coordinate complex manufacturing processes.

For instance, during the launch of the Model 3, Tesla faced significant production challenges, leading Musk to adopt a more hands-on managerial role to streamline the production process, famously referring to the period as "production hell." The managerial leadership style ensured that Tesla overcame these challenges and scaled production to meet growing demand.

While managerial leadership was necessary to achieve production goals, it also led to reports of stress and burnout among employees. The high-pressure environment has highlighted the need for a balance between achieving operational efficiency and maintaining employee well-being (Kouzes & Posner, 2023).

## **Predicting Improvements with Changes in Leadership Style**

### **Increased Moral and Incarnational Leadership**

Increasing the focus on moral and incarnational leadership could address some of the criticisms Tesla has faced regarding employee working conditions (Gushee & Holtz, 2018). By prioritizing employee welfare and engaging more deeply with workers at all levels, Tesla could foster a more supportive work environment. This change would likely reduce turnover rates and improve overall morale, leading to a more stable and satisfied workforce.

## **Reduced Transactional Leadership**

Reducing the emphasis on transactional leadership, especially in production environments, could help mitigate the high-pressure culture that often leads to burnout. Introducing more transformational elements such as recognizing employee contributions beyond mere output and fostering a sense of purpose could improve job satisfaction and loyalty (Steward, 2020).

## **Impact on Stakeholders**

Changes in leadership styles at Tesla would impact both internal and external stakeholders. Internally, employees would benefit from a more balanced and supportive leadership approach, resulting in higher job satisfaction, reduced turnover, and a healthier work environment. This, in turn, would lead to greater productivity and innovation.

Externally, customers and investors would benefit from improved product quality and timely deliveries. A more ethically focused leadership approach could further enhance Tesla's brand reputation, attracting customers who value sustainability and ethical business practices. Additionally, investors would likely view these changes positively, as a more engaged and stable workforce could lead to more consistent performance and growth.

## **Conclusion**

Tesla's leadership is multifaceted, incorporating transactional, transformational, incarnational, moral, managerial styles to drive innovation and achieve its ambitious goals. However, by adjusting the balance of these styles focusing more on moral and incarnational leadership and reducing the emphasis on transactional leadership Tesla could create a more

positive work environment and improve relations with both employees and stakeholders. The right blend of leadership styles will empower Tesla to continue pushing the boundaries of innovation while ensuring the well-being of its workforce, ultimately contributing to the company's long-term success.

### References

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